

# **REPORT TO THE CITY COUNCIL BY THE CITY INTERNAL AUDITOR**

## **SPECIAL REPORT**

### **FINANCE DEPARTMENT EMPLOYEE BENEFITS OFFICE (EBO) REVIEW OF ELIGIBILITY DOCUMENTATION FOR DEPENDENT DENTAL COVERAGE**

**SR600000-03**

**August 4, 2000**



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Councilwoman Pat Spigener  
Shreveport City Council Chairman

Dear Councilwoman Spigener:

Subject: SR600000-03 - Special Report - Finance Department, Employee Benefits Office (EBO) -  
Review of Eligibility Documentation for Dependent Dental Coverage

Attached please find the report mentioned above. Management comments are included in the report.

Sincerely,

Douglas W. Sanders, CFE, CGFM  
Interim City Internal Auditor

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***SPECIAL REPORT***  
**FINANCE DEPARTMENT**  
**EMPLOYEE BENEFITS OFFICE (EBO)**  
**REVIEW OF ELIGIBILITY DOCUMENTATION FOR**  
**DEPENDENT DENTAL COVERAGE**  
**INTERNAL AUDIT REPORT (IAR) SR600000-03**

**OBJECTIVES**

We have completed a review of controls over the maintenance of appropriate eligibility documentation for dependent dental insurance coverage. This function is administered by the Employee Benefits Office (EBO) within the Finance Department. The work resulted from an allegation received from an employee regarding inadequate dependent documentation submitted to the EBO by the former Pension and Benefits Manager. Our objectives were to:

- < Determine whether dependent dental insurance documentation was properly submitted by the former Pension and Benefits Manager in compliance with established policies and procedures.
- < Ascertain whether eligibility documentation for dependent dental coverage is appropriately maintained by the EBO in accordance with established policies and procedures.

**SCOPE AND METHODOLOGY**

The fieldwork was performed in accordance with applicable generally accepted governmental auditing standards as defined in Operating Instruction A.40 of the Internal Audit Office Operating Instructions Manual. Our review was limited to evaluating the general controls surrounding the specific issues addressed. The review procedures included:

- < Reviewing records, reports, and other documentation related to dependent dental insurance coverage.
- < Interviewing appropriate personnel.

**BACKGROUND**

Within the City of Shreveport, the EBO is responsible for the administration of the dental insurance program for the City. This responsibility includes ensuring that adequate eligibility documentation is maintained for city employees and their dependents who participate in the dental insurance program offered by the City. The EBO is composed of three employees, two of whom divide their time between benefit and pension responsibilities.

**CONCLUSIONS/FINDINGS/RECOMMENDATIONS**

Our review revealed that, although the former Pension and Benefits Manager appeared to have had proof of eligibility for enrolling a dependent in the dental insurance program, this documentation was not properly submitted to the EBO in accordance with established policies and procedures. Also, a sample review of other participant files disclosed that dependent dental insurance documentation was not being properly maintained by the EBO for many other employees' dependents who participate in the City's dental insurance program.

**1. Inadequate Documentation for Dependent Dental Insurance Coverage**

**Criteria:** Section 2.05 of the Plan Document for the City of Shreveport Employee Benefits Plan states that the Dental Benefits Plan requires "proof of eligibility of Dependents for coverage under the Plan. This proof may include, but is not limited to, a copy of the marriage license, tax forms, court records, etc. The Employee is responsible for submitting the required proof to the Employee Benefits Office at the City of Shreveport."

**Condition:** A review of 50 participant files to verify completeness and consistency of documentation and adequacy of information for eligibility of dependents revealed that 20 (40%) of those files did not contain proper dependent documentation (i.e., birth or hospital certificates, marriage licenses, court records, etc.) for dental coverage.

**Effect:**

- < Inconsistent application of documented criteria.
- < Perception of discriminatory practices.
- < Improper coverage for ineligible individuals.
- < Unnecessary expenditures being incurred by the City.

**Cause:** Inadequate oversight.

**Recommendation:** We recommend the EBO consistently apply criteria and ensure that applicable documents (i.e., birth certificates, marriage licenses, etc.) are submitted and filed appropriately. To aid the EBO in accumulating all the necessary information, we recommend that a checklist be utilized. All files should be routinely checked by upper management for accuracy and completeness, with a notation that such a review has been performed.

**<Auditor's Note: Similar finding was noted in IAR 190195-01.>**

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**Management Plan of Action:** A checklist has already been developed and is in use. The staff has worked to the alpha “J” ensuring that they obtain all documentation. A line has been added to the checklist for management review of the files. It will become a part of the Pension Manager’s duties to review files for accuracy and completeness, noting the review.

**Timetable:** The end of October, 2000.

## **2. Organization and Restriction of Files**

**Criteria:** To ensure adequate control over confidential employee documents and information, documentation in the dental participant files should be adequately secured and maintained.

**Condition:** A review of 50 dental participant files revealed that all the files contained loose documents that were not properly secured in the folders. Also, access to these files was not adequately restricted.

**Effect:**

- < Misplaced or lost confidential documents.
- < Access to private/confidential information.

**Cause:** In the interest of saving time, employees now slip documents into a file rather than punching holes in the paper and securing the paper in the folder.

**Recommendation:** We recommend the EBO improve organization over participant files. All papers, forms, documents, etc., in the files should be safely secured. In addition, a check-out procedure should be implemented to control access to the files.

**<Auditor’s Note: This is a repeat finding from IAR 190195-01.>**

**Management Plan of Action:** The staff has been informed to ensure that papers, forms, documents, etc., are secured in the files. This will be performed while reviewing the files for accuracy and completeness.

**Timetable:** The end of October, 2000.

### **3. Automated Records**

**Criteria:** Automated records should be utilized, when practical, to increase efficiency of operations and usefulness of information.

**Condition:** Although a repository for complete dental dependent data was developed within the benefits subsystem, the system was not being fully utilized to capture pertinent data on dental dependents. A fully and properly utilized system would enable the EBO to easily and quickly verify dependent dental coverage; identify dependents which are no longer eligible for coverage; generate reports and statistics on dependent data, etc.

**Effect:**

- < Inefficiency of operations.
- < Coverage for ineligible dependents.
- < Slow response to customer needs.

**Cause:** Other priorities have precluded keying this dependent dental information into the benefits subsystem.

**Recommendation:** We recommend management maximize the capabilities of the benefits subsystem. Complete data on dependents should be captured in the subsystem to fully utilize the subsystem's capabilities in order to operate more efficiently.

**Management Plan of Action:** As the folders are reviewed, using the checklist, the benefits subsystem is being updated.

**Timetable:** The end of October, 2000.

Prepared by:

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Staff Auditor

Approved by:

Douglas W. Sanders, CFE, CGFM  
Interim City Internal Auditor

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**April 11, 2000**

LG:jm

c: Mayor  
    CAO  
    City Attorney  
    City Council  
    Clerk of Council  
    External Auditor